

B.C. Galbraith

**The Association of Chartered Accountants
of Manitoba**

**The Institute of Chartered Accountants
of Alberta**

Joint Examination Papers

May 20th, 21st, and 22nd, 1912

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The Chartered Accountants Association of Manitoba The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 20th, 1912, at 2 o'clock p.m.

INTERMEDIATE.

MATHEMATICS.

Time, $3\frac{1}{2}$ hours.

(N.B.—Candidates must give work in *full*; results alone will not be sufficient.)

1. (a) Find, correct to 6 places of decimals, the value of:—

$$\frac{3.72593 \times 2.37365 \times 0.086}{218.936 \times 1.008675431}$$

- (b) Simplify:

$$\frac{4}{5} (3\frac{1}{3} + 1\frac{1}{4}) \text{£} + \frac{1\frac{1}{8} - \frac{1}{3} \text{ of } 1\frac{5}{6}}{\frac{1}{10} \text{ of } 3\frac{1}{3} + \frac{1}{7}\frac{3}{2}} \times 0.95 \text{ of } 5\text{s.} + \frac{8.4}{0.012} \text{d,}$$

expressing the result as the decimal of £1.

- (c) Find the *square root* of 370881, and the *cube root* of 91733851.

2. A man has a net income of \$2,312.20 from a fixed salary and the rent of a house. On the house, which rents at \$50.00 a month, there is a mortgage of \$2,000 at 6%, \$4,000.00 insurance at $1\frac{1}{4}\%$, taxes at the rate of 19 mills on the dollar on an assessment of \$5,000.00, and on his salary a tax of 10 mills on the dollar with \$400.00 exempt. What is his salary?

3. A town issues debentures for \$6,000.00, payable at the end of six years with interest yearly at 7%. What amount of levy is required each year to pay interest and provide a sinking fund earning $4\frac{1}{2}\%$ yearly to retire the debentures at maturity?

4. (a) A man borrows \$22,500.00 for a year at 8% per annum, and loans it at 2% per quarter-year, compounding interest at the end of each quarter. How much money will he have made at the end of the year?

(b) A note drawn Feb. 14th, 1911, at 6 months, for \$5,762.50, with interest at $7\frac{1}{2}\%$, is discounted May 2nd, 1911, at 8%. Find the discount and the cash proceeds.

(Over)

5. (a) A man wishes to establish a University Chair in Commercial Law, the salary attached being \$3,000.00 a year. If money is worth 6%, what is the value of his gift to the University?

(b) Find the present value of an annuity of \$1,830.65, deferred 2 years and running 3 years, the rate of interest being 6% per annum.

6. A man has real estate from which he receives an income of 10% of its value. He pays a tax of $19\frac{1}{2}$ mills on the dollar on this income, and on an assessment of $\frac{4}{5}$ of the value of the real estate. Find the virtual rate of taxation on the value of the property.

7. A London merchant owes 36,000 roubles in St. Petersburg. For 3 months' bills the rate in London on St. Petersburg is 24.94 pence a rouble, and the rate in St. Petersburg is 9.4 roubles a pound; the rates of discount in London and St. Petersburg being 3 and 4% respectively. Find whether the merchant should buy a bill on St. Petersburg, or have his agent in St. Petersburg draw on London.

8. A person buys 6% bonds, the interest on which is payable yearly, and which are to be paid off at par 3 years after the time of purchase. If he invests his interest when received at 4%, what should he pay for the bonds to realize 7% on his money?

9. The expense of constructing a railway is \$12,000,000.00, of which 40% is borrowed on a mortgage at 6%, and the remainder is held in shares. What must be the average weekly receipts so as to pay the shareholders 5%, the working expenses being 65% of the years' receipts?

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 21st, 1912, at 2 o'clock p.m.

INTERMEDIATE.

BOOK-KEEPING. PAPER No. 1.

Time, 3½ hours.

1. A consigns to B, on May 1st, 1911, goods costing \$500.00. B to pay all expenses, sell the goods for as much as possible, and remit the proceeds to A when the goods are sold. On 30th September, 1911, A receives an account from B containing the following particulars:

| | |
|---------------------------|----------|
| Goods all sold for | \$900.00 |
| Expenses paid | 200.00 |
| Cash remitted | 655.00 |
| Retained commission | 45.00 |

- Show:—1. Consignment account on A's books.
 2. B's account in A's books.
 3. A's account in B's books.

2. The Winnipeg Cement Company have issued Bonds for \$1,000,000.00 at a discount of 10%, and have received cash in payment.

Show the accounts in the books of the Company affected by this transaction.

3. On 30th April, 1912, a Company goes to allotment, and 800 common shares of \$100.00 each are allotted, payable 50% on allotment and 50% on 30th June. The money due on allotment is paid in full, and all the cash is also received on account of the second instalment.

Record the transactions in Journal Entry form, and show the Ledger Accounts.

4. (a) Why should you be particular in making a Journal Entry to give a clear explanation of its nature?

(b) What is a Synoptic Journal?

5. John Long and James Rose began business in partnership. John Long's capital was \$2,000.00 in cash, and James Rose's capital, \$1,500.00 in cash and \$1,000.00 in goods. Profits are to be shared in the proportion of—John Long, one-third; James Rose, two-thirds.

During the first month their transactions were as follow:—

| | |
|---|----------|
| Bought of F. Styles, goods | \$450.00 |
| Accepted F. Styles' draft at two months | 450.00 |

(Over)

| | |
|---|---------|
| Lent J. Nokes, cash | 300.00 |
| Sold W. Box, goods | 800.00 |
| Received of W. Box, cash | 600.00 |
| Paid cash for furniture and fixtures | 105.00 |
| Received of W. Box his acceptance at six months..... | 205.00 |
| Charged him interest | 5 00 |
| Sold goods to J. Nokes | 625.00 |
| Charged him interest | 7.50 |
| Received of him his acceptance | 732.50 |
| Advanced for petty cash | 20.00 |
| Paid trade charges from petty cash | 8.50 |
| Discounted with O.G. Company, J. Nokes' acceptance.... | 732.50 |
| Received cash of O.G. Co. | 705.00 |
| Discount charged by O.G. Co. | 27.50 |
| Bought goods of N. Scott | 205.00 |
| Paid to N. Scott, W. Box's acceptance | 205.00 |
| They have goods on hand at cost price at the end of the month | 950.00 |
| Interest to be charged to capital is— | |
| John Long | \$ 8.33 |
| James Rose | 10.40 |
| Rent due A. Bone amounts to | 18.50 |

Show the Ledger Account, including Cash and Profit and Loss Accounts, and draw up a Balance Sheet.

On looking over the account, are you struck by any evidence of bad management?

6. A and B purchased the assets and took over the liabilities of a business for which they paid \$8,000, each providing \$4,000. The price was made up as follows:—

| | |
|---------------------------|------------|
| Land and Buildings | \$3,500.00 |
| Plant and Machinery | 2,050.00 |
| Stock-in-trade | 3,000.00 |
| Book Debts | 2,384.00 |

| | |
|---|-----------------|
| Total Assets | \$10,934.00 |
| Less Liabilities | \$2,650.00 |
| And Allowance for Discounts and Loss on Book Debts | 284.00 |
| | <u>2,934.00</u> |

Purchase Money paid in Cash\$ 8,000.00

A and B agree to admit C to partnership on the terms that they first added to the price paid \$800 for goodwill, and that C brought in a sum in cash sufficient to make him an equal partner. C paid the necessary sum to a partnership account at the bank.

Make the opening Journal entries in the books of the new firm, recording the above transactions, and draw out a Balance Sheet as at the commencement of A, B and C's partnership, assuming that all capital has been brought in before there was any change in the assets and liabilities.

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 22nd, 1912, at 2 o'clock p.m.

INTERMEDIATE.

BOOK-KEEPING. PAPER No. 2.

Time, $3\frac{1}{2}$ hours.

1. What is the meaning of:—

- (1) Invoice.
- (2) Discount.
- (3) Debtor.
- (4) Creditor.
- (5) Trial Balance.
- (6) Balance Sheet.

2. On 16th June, 1911, James Adams sold to A. Cook an oil engine for \$200.00, subject to 5% discount. On 17th June he received from A. Cook an old engine which he agreed to accept as part payment to the value of \$40.00, and on 20th June he received in settlement A. Cook's bill at three months, dated 18th June for \$150.00. This bill James Adams discounted with his bankers on 23rd June, and he was credited with \$148.75 as the proceeds. When the bill fell due it was not met, and James Adams paid it by cheque.

Show the Ledger Accounts in connection with these transactions as they will appear in James Adams' books.

3. Messrs. Wingate & Clark make up their books to 30th April, 1912, and take the following balances from their ledgers:—

| | |
|--|-----------|
| Bills Receivable | \$ 160.00 |
| Purchases | 5,700.00 |
| Sundry Creditors | 1,500.00 |
| Interest paid Bank | 15.00 |
| Repairs to Machinery | 40.00 |
| Investments | 400.00 |
| Stock at 30th April, 1911 | 6,000.00 |
| Contingent Fund for Doubtful Debts | 60.00 |
| Office Expenses | 200.00 |
| Fuel | 90.00 |
| Bills Payable | 250.00 |

(Over)

| | |
|---|-----------|
| Wages | 2,440.00 |
| Advertising | 80.00 |
| Rent | 350.00 |
| J. Wingate, Drawings | 240.00 |
| A. Clark, Drawings | 200.00 |
| Sales | 11,000.00 |
| Sundry Debtors | 3,000.00 |
| Machinery | 400.00 |
| Reserve Fund | 500.00 |
| Discount Allowed Customers | 75.00 |
| Fittings and Office Furniture | 270.00 |
| Bank Overdraft | 360.00 |
| Income from Investments | 20.00 |
| J. Wingate, Capital, 30th April, 1911 | 4,000.00 |
| A. Clark, Capital, 30th April, 1911 | 2,000.00 |
| Cash in Hand | 30.00 |

Prepare a Trial Balance as at 30th April, 1912.

4. Messrs. Wingate & Clark value their stock at 30th April, 1912, at \$5,400.00. Bad debts amounting to \$100.00 have to be written off, and the contingent fund is to be made up to 5% of the debts then due to the firm (exclusive of bills). Interest to be allowed on capital at 5%, but no interest to be charged on drawings. The profit is to be divided in proportion to the capital of each partner at 30th April, 1911.

From these particulars, and the figures given in Question 3, prepare a Profit and Loss Account and a Balance Sheet as at 30th April, 1912.

5. A. Thompson and J. Wilson commenced business on 12th January, 1911, the former contributing \$4,000.00 capital and the latter \$3,000.00. Each partner was to be entitled to 5% interest on his capital, and thereafter the profit was to be divided equally between them, no interest being charged on drawings. The books were kept by single entry, and on 31st December, 1911, the Assets and Liabilities were:—(1) Stock-in-trade, \$6,000.00; (2) Plant, \$600.00; (3) Sundry Debtors, \$3,000.00; (4) Sundry Creditors, \$2,000.00; (5) Bank Overdraft, \$200.00. Each partner had drawn \$200.00

Prepare a statement showing the profit earned for the year, and a Balance Sheet showing in detail the partners' accounts after adjusting profits.

6. How would you adjust the following errors in a firm's books kept by double entry, and how would the adjustments affect the profit?

1. A sum of \$200.00 had been debited to goods instead of to building.

2. A sum of \$25.00 paid to a partner for private expenditure was charged to office expenditure.

3. A cheque for \$50.00 received from a customer, A. Mutt, was credited to a customer, J. Smith.

4. The Purchase Book had been under added to the extent of \$100.00.

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 22nd, 1912, at 9 o'clock a.m. .

INTERMEDIATE.

BANKING AND BILLS OF EXCHANGE.

Time, 3 hours.

1. State what qualification is required of a Board of Directors, in addition to each individual Director holding a qualifying number of shares.

2. In the event of the suspension by a Bank of payment, are payments out of the Bank Circulation Fund of the notes of said Bank to be limited to the amount contributed to said fund by the Bank so suspending payment?

3. Should the demands upon the Bank Circulation Fund exceed the amount available from time to time, is the Government of Canada liable to make good the deficiency?

4. State the various classes of business which a Bank shall not engage in.

5. Under Section 91, a Bank may stipulate for any rate of interest or discount not exceeding 7% per annum. Is the Bank restricted to any rate of interest to be allowed upon money deposited with it?

6. In the case of the purchase by one Bank of the assets of another Bank, upon whom rests the liability to pay the outstanding notes of the selling Bank?

7. In the event of a Bank suspending payment, with whom rests the appointment of a curator to supervise the affairs of such suspended Bank? What length of time can a Bank continue to suspend payment before such suspension constitutes insolvency?

8. In the event of insolvency of any Bank, in what order are the Bank's liabilities to be paid?

9. Can a Bank at any time acquire a warehouse receipt or bill of lading as security for a debt incurred in its favor? If not, state when such security may be acquired and when it cannot be acquired.

(Over)

10. In what form can a wholesale manufacturer or dealer give to a Bank security upon goods which are his own property? When must such security be given? Is substitution permitted?

11. (a) What is a notice of dishonor?

(b) To whom should it be given in the case of

1. Bill of Exchange;

2. Promissory Note?

(c) When should it be given?

(d) How may it be given?

12. How is the due date of a promissory note computed?

13. Is an accommodation party to a Bill of Exchange liable to a holder taking the bill with notice?

14. Is it necessary that the promissory note of a trading corporation be under its seal?

15. A Bill of Exchange does not specify the place where it is drawn or the place where it is payable. Is it valid?

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Examination Paper, May 20th, 1912, at 9 o'clock a.m.
(Manitoba Candidates only)

INTERMEDIATE.

COMPANY AND PARTNERSHIP LAW.

Time, 3 hours.

1. A Managing Director of a land company entered into an agreement on behalf of the company to purchase land. No by-laws have been passed defining his powers or powers of directors. Is contract binding upon company?
2. A Memorandum of Association of an Alberta Company is signed by A. No allotment of shares was made to him, though made to persons other than those who subscribed the memorandum. He notifies company that he withdraws from it. Is the withdrawal good?
3. What is a floating debenture? Need it be registered to be valid?
4. What steps must be taken by partner retiring from a firm to protect himself from liability for debts subsequently contracted by the firm?
5. A Bank, acting upon the advice of a member of a firm of auditors, makes advances upon an hypothecation contrary to Bank Act, and thereby sustains loss. Is the firm liable to Bank?
6. A company makes loss of capital by plant becoming obsolete, but shows profit in its revenue account. Must loss of capital be made good before dividends should be declared?
7. A is to receive in consideration of a loan, periodically fixed sums out of the profits of the business. Is he a partner?
8. Letters Patent of a Dominion Company are silent as to purchase of shares in another company. May it do so?
9. Enumerate differences between a corporation and a partnership.
10. Give an illustration of the doctrine of *ultra vires* as applied to a Company.
11. A Manitoba Company is capitalized at \$50,000.00. Its assets consist of office furniture of the value of \$500.00 and promissory notes for stock subscriptions to amount of \$6,000.00. \$20,000.00 of its capital is subscribed. May it commence business?
12. (a) Can a promoter claim from Company he promotes payment for his services or expenses in promoting it?
(b) May a Company after its incorporation legally contract to pay him?

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 21st, 1912, at 9 o'clock a.m.

INTERMEDIATE.

GENERAL COMMERCIAL KNOWLEDGE.

Note.—Style, neatness, punctuation, grammar, etc., will be taken into account.

Time, 3 hours.

1. What is meant by "Draft with Bill of Lading Attached"? Illustrate your answer by drawing a sample draft.

2. Explain the following:

"True and correct view of the Company's affairs and as shown by the books of the Company."

3. Define any three of the following terms:

1. Insurable Interest.
2. Co-Insurance.
3. Re-Insurance Reserved.
4. Commercial Paper.
5. Fixed Assets.
6. Wasting Assets.
7. Imprest System.

4. Correct the following sentences:

1. The introduction of such beverages as tea and coffee have not been without their effect.
2. People have been crying out that Germany never could be an aggressive power a great deal too soon.
3. The beaux of that day used the abominable art of painting their faces as well as the women.
4. That she was a somnambulist I know, as I have seen her under its influence.
5. They both speak English a little, though it is thirteen years since they left it.

(Over)

5. When closing the books and preparing a balance sheet and a statement of income and profit and loss, state how you would treat the following items:

- (a) Interest paid in advance not fully earned.
- (b) Labor not paid for.
- (c) Interest accrued.
- (d) Insurance unexpired.

6. The London Export Company of London, England, drew a sixty day sterling draft on the Winnipeg Trading Company, dated April 1st, for £20 6s. 10d. The Winnipeg Trading Company accepted the draft on April 20th, payable at the Bank of British North America at Winnipeg. Draw the draft, showing the acceptance and due date.

7. On the books of a Trading Company, the Reserve Account for Bad and Doubtful accounts at the beginning of the year was \$8,000.00 credit. During the year, bad accounts to the sum of \$3,460.00 were written against it, and at the end of the year when preparing the Balance Sheet the doubtful accounts were estimated at \$7,421.00. The management decided to increase the reserve for doubtful accounts to \$9,000.00. How much should be charged to the trading of the year?

8. The New Method Advertising Company sent a series of circulars to John Winstell pointing out the advantages they possessed for conducting advertising campaigns. Winstell paid no attention to the circulars, and the advertising company wrote asking permission for their representative to call.

Write Winstell's reply declining to see the representative.

9. The Bank account on the books of the Winnipeg Trading Company at April 30th, 1912, stood Debit \$60,150.62, and Credit 61,328.38. According to the Bank pass book the Company had a balance in their favor at the Bank of \$1,626.40, and upon checking the account it was found that the following cheques had not been presented at the Bank for payment:

| | |
|-----------------------------|------------|
| February 26th, No. 626..... | \$500.00 |
| March 1st, No. 630 | 960.20 |
| March 20th, No. 720 | 120.40 |
| March 15th, No. 950 | 460.26 |
| April 20th, No. 830 | 763.30 |
| | <hr/> |
| | \$2,804.16 |

Draw up a statement reconciling the ledger account with the balance as shown in the Bank pass book.

Would you preserve this reconciliation statement, and if so, why? If not, why not?

10. Steam Carpet Cleaning, 3 cents per yard. Carpets Laid, 3 cents per yard. Phone Main 000.—The Cleaners, Portage Ave., Winnipeg."

- 1. Write to the Company asking them to send for your carpet, which is to be cleaned, repaired and laid.
- 2. Write a reply to No. 1.
- 3. Make out a bill for the work.
- 4. Write a letter enclosing a cheque in payment, and saying that the work has been well and promptly done.

11. The Western Trading Company of Winnipeg, incorporated by letters patent on April 25th, with an authorised capital of \$100,000.00, divided into 1,000 shares of common stock of \$100.00 each, held its statutory meeting on May 1st, 1912.

All subscribers to the petition of incorporation were present.

John Jones was elected chairman, and James Chalmers secretary of the meeting.

The letters patent of incorporation were read and accepted.

By-laws were read and adopted.

Auditors were appointed.

The following applications for capital stock were accepted:

James Anderson10 shares.

William Forkson 5 shares

The Chairman read a letter from John Dillped, offering to sell to the Company the business carried on by him for the sum of \$50,000.00, terms \$10,000.00 cash and balance to be paid in fully paid non-assessable capital stock of the Company.

The following is the statement of the Assets and Liabilities accompanying the offer:

Assets.

| | |
|-------------------------------------|-------------|
| Merchandise | \$40,000.00 |
| Notes and Accounts Receivable | 25,000.00 |
| Fixtures | 5,000.00 |
| Goodwill | 10,000.00 |
| | <hr/> |
| | \$80,000.00 |

Liabilities.

| | |
|------------------------|-------------|
| Accounts payable | \$30,000.00 |
| Surplus | \$50,000.00 |

From the foregoing information, draw up the minutes of this meeting.

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 20th, 1912, at 9 o'clock a.m.

FINAL.

AUDITING.

Time, 3 hours.

1. What is a secret reserve? How is it created, and what is its object? Discuss its advantages and disadvantages.
2. State if, in your opinion, it is necessary to vouch the journal. Give reasons supporting your views.
3. You are engaged to make a financial audit of a trading concern in the interests of a prospective purchaser. State what steps you would take, and mention three specific points to which you would give particular attention.
4. (a) Draft a form of certificate to a balance sheet.
(b) Write a report to Shareholders, and in the report call attention to two particular items contained in a balance sheet.

5. Criticize the following balance sheet:—

| ASSETS. | | LIABILITIES. | |
|--------------------------|-----------|---------------------------|-----------|
| Buildings | \$ 87,000 | Capital and Surplus | \$150,000 |
| Machinery | 13,000 | Current Liabilities | 77,500 |
| Sundry Stock | 80,000 | Suspense Account | 7,500 |
| Cash | 3,000 | | |
| Bills Receivable | 7,000 | | |
| Customers | 20,000 | | |
| Goodwill and Patents.... | 25,000 | | |
| | <hr/> | | <hr/> |
| | \$235,000 | | \$235,000 |

6. Discriminate between what constitutes proper charges against capital and against revenue.
7. Outline the course you would adopt in making an audit of the books of a firm where defalcations are suspected.
8. What measures should be taken by an auditor to satisfy himself that all liabilities have been brought into the books and balance sheet of a manufacturing concern?

(Over)

9. How should an auditor proceed if required to audit the accounts of a firm which kept only a cash book and journal, but had preserved all the invoices and vouchers pertaining to the business?

10. In commencing an audit, say three months after the close of the fiscal year, how would you verify bills receivable as they should stand at the end of such fiscal year?

11. Should any fluctuation in the valuation of permanent assets be permitted to affect the result of the profit and loss account? Give reasons for answer.

12. What are the duties and responsibilities of auditors as laid down in any one of the principal legal decisions affecting auditors? Give details, and cite the case upon which your answer is based.

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 21st, 1912, at 2 o'clock p.m.

FINAL.

ADVANCED BOOKKEEPING AND ACCOUNTS.

PAPER No. 1.

(Including Partnerships and Joint Stock Companies.)

Three and one-half hours allowed.

1. A, B and C are in partnership, sharing profits $\frac{3}{8}$, $\frac{3}{8}$, and $\frac{1}{4}$ respectively. A dissolution is agreed on as on the 31st December, 1911, their standing at that date being as follows:—

| ASSETS. | LIABILITIES. |
|---|----------------------------|
| Debtors\$27,215.00 | Creditors\$14,752.00 |
| Stock in Trade 15,220.00 | A 20,500.00 |
| Plant and Machinery.. 25,575.00 | B 17,350.00 |
| Office Furniture 2,335.00 | C 19,153.00 |
| Cash on hand and in bank 1,410.00 | |
| \$71,755.00 | \$71,755.00 |

Having made arrangements for the disposal of the business, B is appointed liquidator, with instructions to divide cash received each month; he is also to receive 5% for all collections, which is to cover expenses of realization. The following are his transactions:—

| | |
|---|-------------|
| January—Received on Account of Book Debts..... | \$10,250.00 |
| “ “ “ Plant and Machinery | 10,000.00 |
| February “ “ “ Book Debts | 5,510.00 |
| Sale of Stock in Trade realized | 14,575.00 |
| March— A takes over Office Furniture for..... | 2,000.00 |
| (To be deducted from his share this month) | |
| Received Balance on Sale of Plant and Machinery..... | 14,000.00 |
| Received three Notes for Goodwill of Business..... | 30,000.00 |
| (Due in equal amounts April 1st, June 1st, August 1st, no interest) | |
| Sold Balance of Book Debts for Payable Note, due | |
| Sept. 1st, no interest | 10,000.00 |

The notes are paid as they become due.

Show B's Cash Account up to the closing of the Partnership Accounts.

(Over)

2. Partnership Liability on Contracts is joint, except in the case of a deceased partner whose estate becomes also severally liable. Explain and exemplify the effect of this.

3. What is meant by the expression, "Deferred Charges to Revenue"? Give full explanation, with examples and reasons.

4. W. X and Y are in partnership, sharing profits respectively $\frac{1}{2}$, $\frac{1}{4}$, and $\frac{1}{4}$, after charging salaries at the rate of \$3,000.00 per annum each. Z is Chief Accountant to the firm, with a salary of \$2,000.00 per annum. W, wishing to be relieved of a certain amount of active work in the business, suggests a new arrangement, to the effect that Z be admitted to partnership, retaining his present salary, but with an interest of 10% in the net profits of the firm; if this does not exceed \$500.00, the other partners share the remainder as before, but any amount exceeding this is to be deducted from W's share. This is consented to and the new partnership formed. At the end of the first year, before charging any salaries, the profits are \$17,000.00.

Show the apportionments of same to the partners.

5. Thomas Jones and William Thompson are trading in partnership as wholesale grocery merchants, sharing profits equally. On January 1st, 1912, their balance sheet is as follows:—

| ASSETS. | | LIABILITIES. | |
|----------------------|-------------|---------------------|-------------|
| Stock in Trade | \$27,245.00 | Bank of B.N.A. | \$10,000.00 |
| Furniture | 2,752.00 | Creditor | 27,528.00 |
| Debtors | 37,625.00 | Jones | 25,243.00 |
| Cash | 752.00 | Thompson | 10,603.00 |
| Goodwill | 5,000.00 | | |
| | <hr/> | | <hr/> |
| | \$73,374.00 | | \$73,374.00 |

An agreement is made to amalgamate with Joseph Smith and George Brown, also trading in partnership, and sharing profits respectively $\frac{2}{3}$ and $\frac{1}{3}$. Their balance sheet as on January 1st is as below:—

| ASSETS. | | LIABILITIES. | |
|-----------------------|-------------|-----------------|-------------|
| Stock in Trade | \$35,424.00 | Creditors | \$35,818.00 |
| Furniture | 3,840.00 | Smith | 22,176.00 |
| Debtors | 42,741.00 | Brown | 27,426.00 |
| Bank of Toronto | 3,415.00 | | |
| | <hr/> | | <hr/> |
| | \$85,420.00 | | \$85,420.00 |

A Company is formed to take over the two businesses, under the name of Smith, Jones & Company, Limited, with authorized capital \$200,000.00, divided into 2,000 common shares of \$100.00 each. George Wilkins, John Lister and Robert Ryder subscribe for 20 shares each, for which they pay cash.

The Jones & Thompson business is taken over at book figures, except that goodwill is raised to \$10,000.00 and \$1,000.00 is set up as a reserve for doubtful debts. The Smith and Brown business is taken as shown, with an addition of \$15,000.00 for goodwill and \$1,500.00 reserve for doubtful debts. The partners in the two businesses are to take shares for their interests, making up an even amount by paying cash if required. All cash is deposited in the Bank of British North America.

Show by means of journal entries the various transactions incident to

taking over the businesses and allotment of shares, giving the number of shares allotted each party, and make out the balance sheet of Smith, Jones & Company, Ltd.

6. A Company is formed for the purchase of a hotel as a going concern, which was owned by W. Jones and F. Smith in equal shares, but sharing profits $\frac{2}{3}$ and $\frac{1}{3}$ respectively. The authorized capital is \$500,000.00, in 5,000 common shares of \$100.00 each. Forty-four hundred shares are subscribed, and \$7.50 per share called up. The price paid for the purchase is made up as follows:—

| | |
|---|--------------|
| Goodwill (no account for this in Vendors' books) | \$100,000.00 |
| Value of Lease (Book value, \$60,000.00) | 50,000.00 |
| Stock of Wine, Spirits, Supplies, etc. (Book value \$90,000.00) | 84,000.00 |
| Furniture and Fixtures (Book value, \$70,000.00) | 60,000.00 |

At the time of completion of purchase the calls unpaid amount to \$5,000.00. Vendors take cash, \$234,000.00, and shares, \$60,000.00, for the business, retaining the book debts (\$15,000.00) and paying off their liabilities (\$45,000.00) at the date of the purchase. They also arrange to pay the preliminary expenses, commissions, etc., on formation of the Company, which amount to \$15,000.00.

Draw up balance sheet of the Company immediately after completion of purchase. Also show by journal entries the settlement of partnership affairs, presuming book debts have been collected in full:

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 22nd, 1912, at 2 o'clock p.m.

FINAL.

ADVANCED BOOKKEEPING AND ACCOUNTS. PAPER No. 2.

(General Problems, including Cost Accounts.)

Time, $3\frac{1}{2}$ hours.

1. H. B. Brown sold Lots 10 and 11, Block 15, D.G.S. 20, Plan 1630, to A. K. Anderson, on March 15th, 1911, for \$30,973.50, payable

\$7,841.18 on the signing of the agreement,

\$7,841.16 on March 15th, 1912,

\$7,841.16 on March 15th, 1913,

with interest at 6% per annum, payable on March 15th in each year on the deferred payments, and in settlement of the balance of the purchase price he assumed a mortgage on the property of \$7,450.00, payable—\$3,725.00 on May 1st, 1912; \$3,725.00 on May 1st, 1913. The mortgage bore interest at the rate of 6% per annum, payable on May 1st in each year. On July 15th, H. B. Brown sold his equity in this agreement for \$8,080.00 to the Jones Security Company.

Draft the journal entries necessary to record these transactions on the books of H. B. Brown and the Jones Security Company.

(Note.—Calculate interest by the month. Marks will not be deducted for minor errors in the calculations of interest.)

2. In the books of a Mining Company there stands a sum of \$10,000.00 at the credit of a special reserve account, accumulated by an annual charge on the output to represent the exhaustion of the assets in minerals. The articles of association provide that when this amount has been accumulated in this account it shall be applied in reduction of the share capital. The necessary steps having been taken, a repayment of \$1.00 per share is made on the 10,000 issued shares of the Company.

What entries should be made on the books of this Company to extinguish the balance at credit of the special reserve account?

3. A firm manufacturing but one grade of cloaks, insured against burglary, claims to have been robbed on the night of September 10th.

(Over)

The proof of the loss filed by the assured contained two items—600 cloaks, \$12,000.00; 1,000 yards silk, \$1,500.00. An inventory of stock on hand, consisting of cloaks, cloth and silk, had been taken January 1, amounting to \$118,500.00, the particulars of which have been lost or destroyed.

An analysis of the firm's books produced the following information:—

| | |
|---|---------|
| Purchases of cloth, 37,500 yards at | \$ 1.00 |
| “ “ silk, 10,000 yards at | 2.00 |
| 6,000 cloaks were manufactured, consuming— | |
| Cloth, 40,000 yards at | 1.00 |
| Silk, 10,000 yards at | 2.00 |
| 9,000 cloaks were sold between Jan. 1 and Sept. 10— | |
| Cost of sales per cloak, for material | 10.00 |
| for labor and sundries..... | 7.00 |
| | <hr/> |
| | \$17.00 |
| Inventory, Sept. 11th—2,500 cloaks at | \$17.00 |
| 12,500 yards cloth at..... | 1.00 |
| 5,000 yards silk at | 2.00 |

Prepare report, proving or disproving claim.

4. The Suburban Syndicate, Ltd., is formed with an authorized capital of \$30,000.00 (divided into 300 Common Shares of \$100.00 each) to develop and place on the market certain acreage near the city of Winnipeg, which it purchased for \$15,000.00 cash. The property is surveyed and subdivided into building lots, which are advertised at varying prices aggregating \$40,000.00.

The following is the Trial Balance at the end of the first year (30th April, 1912):—

| | DEBIT. | CREDIT. |
|--|-------------|-------------|
| Capital Issued (240 Shares) | \$ | \$24,000.00 |
| Calls Unpaid | 4,000.00 | |
| Land Purchased | 15,000.00 | |
| Survey and Improvements | 3,250.00 | |
| Sale of Lots | | 9,000.00 |
| Agreements, Principal— | | |
| Balance outstanding | 6,000.00 | |
| Agreements, Interest— | | |
| Balance outstanding | 60.00 | |
| Commissions on Sales | 540.00 | |
| Interest | | 450.00 |
| Advertising and Selling Expenses | 630.00 | |
| General Expenses | 570.00 | |
| Incorporation Expenses | 250.00 | |
| Cash on Hand and in Bank | 3,150.00 | |
| | <hr/> | <hr/> |
| | \$33,450.00 | \$33,450.00 |

It is estimated that a further expenditure of \$1,750.00 will be sufficient to complete all improvements necessary so far as the Company is concerned.

Draw up Revenue Accounts to show the result of the Company's operations, separate realized and unrealized profits, and make out Balance Sheet as at 30th April, 1912.

5. A printer divides his work into two departments:—

(1) Books; (2) General.

His receipts from the Book Department are three-fourths, and from the General Department one-fourth, of the total. He keeps a cost account for each job, charging it with wages expended and the paper and ink used upon it, to which he adds 40% on the Books and 50% on the General to cover all other expenses and profit.

The other expenses consist of:—

Foreman's Wages.
Small Stores
Carriage.
Office Expenses.
Renewal and upkeep of plant and machinery.
Rent.
Taxes.
Insurances.
Fuel.
Water.
Lighting.
Commission to Travellers and Agents.
Bad Debts.
Discounts and Allowances.
Interest on Capital.
Management Salaries.

What amendments on the costing system would you consider necessary to ascertain, as nearly as possible, which department is paying best?

6. Following is a list of the Accounts appearing on the Trial Balance of a manufacturing company which deals in finished merchandise, purchased, as well as its own products. From this list, and without using figures, draw up Balance Sheet, Manufacturing Account, Trading Account, and Profit and Loss Account, in the form you think most suitable:—

Cash.
Bills Receivable.
Accounts Receivable.
Rents (Receivable).
Real Estate.
Buildings.
Machinery and Tools.
Office Furniture.
Accounts Payable.
Bills Payable.
Interest Payable.
Undivided Profits (end of last year).
Capital Stock.
Reserve for Bad and Doubtful Accounts.
Reserve for Depreciation.
Insurance Unexpired, Plant.
Insurance Unexpired, Merchandise.
Inventory (Own Products).
 " (Raw Materials).
 " (Partly Manufactured Goods).
 " (Merchandise Purchased).
 " (Repair Supplies).

(Over)

Sales (Own Products).
 " (Merchandise Purchased).
Salaries, Management.
 " Office and Store.
Fuel.
Insurance (Plant).
Rent.
Freight (Merchandise Purchased).
 " (Raw Materials).
Purchases (Merchandise).
Rent, Factory.
 " Store and Office.
Printing and Stationery.
Advertising.
Purchases (Raw Materials).
Machinery Repairs.
Productive Labor (Factory).
Labor (Warehouse).
Insurance (Merchandise).
Bad and Doubtful Accounts.
Travellers' Expenses and Salaries.
Management Salary, Factory.
 " Office.
Discounts Allowed.
Depreciation.
Sundry Factory Expenses.
 " Office Expenses.
Postage.
Subscriptions and Donations.
Discounts Received.

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Examination Paper, May 21st, 1912, at 9 o'clock a.m.
(Manitoba Candidates only.)

FINAL.

COMMERCIAL LAW.

Time, 3 hours.

1. A mails offer to B. B mails acceptance; but before acceptance is received revokes it by telegram. Is there a contract?

2. A trader being in insolvent circumstances, executed chattel mortgage of his stock-in-trade to his principal creditor, who had knowledge of insolvency, to secure present debt and advances of further goods to enable trader to carry on business. Within two months thereafter trader makes assignment for benefit of creditors. Is security valid?

3. A creditor has knowledge that debtor in Manitoba is about to sell his household effects and remove to another Province, but has no knowledge that the sale is being made with a fraudulent intent. May creditor attach goods?

4. After execution under judgment was in hands of sheriff, debtor gave mortgage on his homestead in Alberta upon which he lives. Is mortgage valid?

5. Where the members of a firm have separate private accounts with the bankers of the firm, and a balance is due to the bankers from the firm, have the bankers a lien for such balance on the separate accounts?

6. Is interest payable on a book-debt? Where a promissory note is silent as to interest, when does interest become payable, and at what rate?

7. Are elevator receipts for grain indorsed to a grain company valid in hands of bank which has made present advances on the security of such receipts?

8. A signs a writing upon the back of an overdue note that he will be responsible to holder if maker does not pay. The next day the holder sues the maker. Is A liable?

(Over)

9. May a bill of exchange be drawn payable on the happening of a future event?

10. (a) May an action be commenced on a bill payable on demand before the expiration of three days of grace?

(b) A promissory note payable on demand and obtained for an illegal consideration was indorsed to A on the day it bore date, who had no notice of defect. Is the title of A affected with defect?

11. A certified cheque for \$5.00 drawn on Bank of Montreal was fraudulently altered to \$500.00, and paid without notice of the alteration by the Bank to A, a holder for value. Is the Bank entitled to recover from A?

12. Must a bill of exchange be presented for payment to charge the drawer?

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Examination Paper, May 22nd, 1912, at 9 o'clock a.m.
(Manitoba Candidates only.)

FINAL.

LAW OF TRUSTEES, ASSIGNEES AND LIQUIDATORS.

Time, 3 hours.

1. A, under his hand and seal, appoints B, a minor, his Trustee. Will the Court hold B liable for a breach of trust?

2. A, being badly in need of money, directed B, his Trustee, to sell his (A's) farm at \$15.00 an acre. B, not being able to find a purchaser, purchased for himself. B did not disclose this fact to A. Subsequently the property becomes very valuable, and A discovers that B was himself the purchaser. He sues B for a return of the property and offers to refund the purchase money. Who is entitled to succeed on these facts?

3. If a Trustee uses the fund committed to his care in private speculation, must he account for the profits? Give reasons.

4. If a Trustee is guilty of unreasonable delay in investing the trust fund, will he be liable for interest during the period of his laches?

5. A Trustee has power to sell the trust property for cash only. He, however, enters into an agreement with B for the sale of said property for one-third cash, the balance of purchase price to be paid in one and two years. B knows that A is a Trustee. Would the Court enforce specific performance of this contract? If so, why? If not, why not?

6. State the law as to the liability of an Assignee for neglecting to publish notice of an assignment.

7. Has an Assignee any right to vote at a meeting of creditors?

8. Can a Liquidator bring an action without first having obtained the leave of the Court?

9. State what power the Liquidator has to sell real estate. Can he sell the assets of the Company en bloc? Can the Liquidator sign a transfer of real estate, or must the transfer be executed by the Company?

10. State under what circumstances a Liquidator may compromise with debtors and contributories?

The Chartered Accountants Association of Manitoba

The Institute of Chartered Accountants of Alberta

Joint Examination Paper, May 20th, 1912, at 2 o'clock p.m.

FINAL.

THE LAW AND ACCOUNTS RELATING TO EXECUTORS AND ADMINISTRATORS.

Three hours allowed.

1. Define the terms:—Will, Codicil, Testator, Residuary Clause, Executor, Administrator, Lifetenant, Remainderman, Cestui que Trust.

2. Explain the rule laid down in the case of *Allhusen v. Whittel* (4 Eq. 295), and illustrate your answer by the following example:—

The gross estate of a testator is valued at \$100,000.00, and his debts, etc., amount to \$10,000.00. The total income of the first year, equal to 5% of the gross estate, amounts to \$5,000.00. It is required to make apportionment between lifetenant and remainderman.

3. Among the assets of an estate is a mortgage for \$4,000.00, bearing interest at 8%, the last payment of which was made to May 1st, 1909. The mortgagor being in default the executor takes sale proceedings, and eventually receives the net amount of \$3,480.00 on May 1st, 1911, the remainder being considered lost. How should this be dealt with having regard to the claims of lifetenant and remainderman?

4. Name and explain the various classes of legacies that may be given under a will.

5. The will of Thomas Williams, who died 30th December, 1911, provided for legacies as follows:—

1. His collection of hunting trophies to his friend, George Thompson.
2. His watch, chain and other jewellery, to his son.
3. \$5,000.00 to his brother, to be paid out of the proceeds of his Winnipeg Electric Railway Stock.
4. His shares in the Bank of Montreal to his daughter.
5. His household furniture, plate and pictures, to his wife.
6. The following pecuniary legacies:—
 - \$80,000.00 to his wife.
 - \$80,000.00 to his son.
 - \$40,000.00 to his daughter.
7. Any residue to his son.

(Over)

After funeral expenses, debts, etc., were paid, the position of the estate was as follows:—

The collection of hunting trophies had been destroyed by fire before testator's death.

A gold watch and sundry articles of jewellery were on hand.

The testator had disposed of his Winnipeg Electric Railway stock, and left 200 Bank of Montreal shares.

The value of the residue of the estate (exclusive of household furniture) was \$153,750.00.

What would the legatees receive respectively?

6. A testator who died March 7th, 1912, held the following investments:—

| | Market Price. |
|---|---------------|
| 10 \$100.00 Shares Great West P. L. & S. Co. | 124½—125 |
| 100 \$100.00 Shares B. C. Per. Loan Co. | 130 —145 |
| 3 \$100.00 Shares Eastern Townships Bank | 215 —216 |
| 5 \$100.00 Shares Dominion Iron & Steel Co. | 103 |

What are the values at which these investments should appear in the affidavit for probate?

7. It is said that “there are two distinct systems in which an Executor's Accounts may be framed, both of which are strongly supported by their respective adherents.” Briefly describe the general principles of these two systems, and give the arguments in support of each.

8. John Smith died on the 30th March, 1911, leaving his estate in trust, with income to his widow and remainder to his son. He held 20 \$100.00 shares in the Q. V. Co., Ltd., whose financial year ends June 30th. An interim dividend at the rate of 10% per annum for the half-year having been paid during the testator's lifetime, a final dividend for the remainder of the year was received by the executor as on 30th June, 1911, amounting to \$60.00. Apportion this amount as between Capital and Income.

9. What is an “Executor *de son tort*,” and what are his responsibilities?

